

Activities of JAPIA

No.20 Trade Subcommittee

Report: Trade Subcommittee

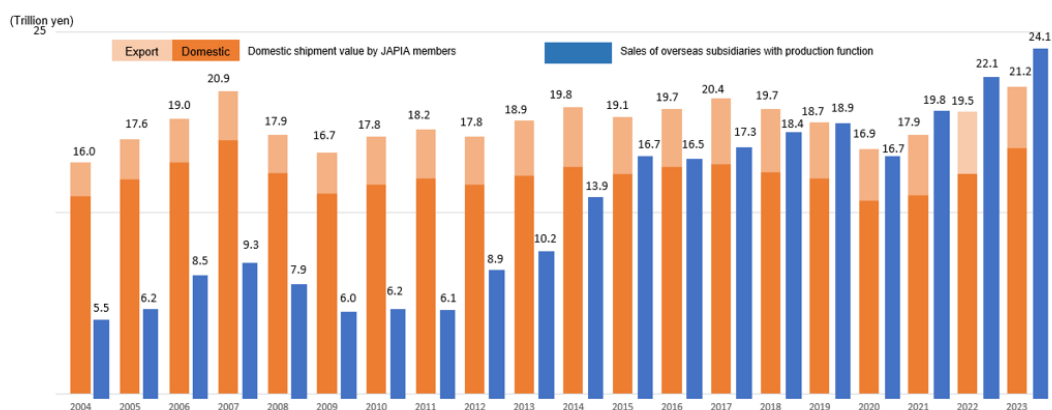
Broadly providing support for overseas business and local information to "broadly contribute to strengthening the international competitiveness of JAPIA members"

Every day, newspapers and television are reporting on the implementation of tariff policies by the Trump administration in the United States and the status of the negotiations surrounding them. This is having a significant impact on the Japanese auto parts industry, which operates globally. The overseas business of each company faces various changes in the surrounding environment, but JAPIA's "Trade Subcommittee" (Chair: Mr. Koji Kurosawa) has long been working to support the overseas business of member companies and develop the industry through international collaboration. The Trade Committee is actively engaged, with 15 members from 12 companies with a wide range of expertise.

Note: Titles and affiliations of members are as of the time of interview.

Latest Status of Overseas Expansion by JAPIA Member Companies (FY2023 Survey Results)

- **Number of member companies with overseas operations: 266** (out of 418 regular member companies)
- **Activities of these 266 companies overseas:**
 - Number of overseas legal entities: 2,345 (including 1,804 with production functions)
 - Number of employees: 1.398 million (including 1.329 million employed in production functions)
 - Total overseas sales: 24.1 trillion yen
- **Overseas sales have exceeded domestic shipment values, and this trend continues.**



Launched in 2004, supporting overseas expansion of member companies

As of the end of fiscal year 2023, 266 out of JAPIA's 418 regular member companies have established overseas bases. Moreover, including exports from Japan to overseas, a great many of member companies are involved in overseas business.

The International Committee, the parent organization of the Trade Subcommittee, was established in 1990 with the aim of providing comprehensive support in response to the growing overseas expansion of member companies. Within this framework, the Trade Subcommittee was established in 2004, when negotiations on Economic Partnership Agreements (EPAs) with various countries were gaining momentum to expand free trade. As a concrete initiative, in preparation for the intergovernmental negotiations on the conclusion of an EPA, the Trade Subcommittee compiled requests from member companies regarding the elimination or reduction of tariffs on auto parts and submitted them to the Ministry of Economy, Trade and Industry. In addition to EPA negotiations, the Trade Subcommittee has also worked to identify issues facing member companies' overseas businesses and promoted JAPIA's own international collaboration.

In the last fiscal year, the Trade Subcommittee utilized the results of JAPIA's Research on Overseas Operations by Member Companies to identify countries and regions where member companies are most actively expanding. Based on this analysis, discussions were held to determine which countries and regions JAPIA should prioritize for strengthening international collaboration and how to proceed with such efforts. As a result, five regional teams were established within the Trade Subcommittee: the United States, China, Southeast Asia, India, and Europe. Each team includes members with expertise in the respective region, and they are tasked with gathering local information and formulating strategies tailored to regional conditions. This report highlights two major initiatives from the last fiscal year: "the dispatch of the JAPIA delegation to India" and the cross-regional activity known as the "Secretariat Meeting of Auto Parts Associations from Seven Countries."

Site Visit for Information Gathering and Exchange of Views with the Automotive Component Manufacturers Association of India

India, now the world's most populous country, is experiencing remarkable economic growth, with its GDP growth rate surpassing that of China. Japanese automobile manufacturers have also announced plans to increase production in the country. Given these developments, India is considered one of the most strategically important countries for JAPIA member companies.

The Trade Subcommittee conducted a survey among member companies to assess their needs regarding India. While interest was notably high, the survey revealed a significant lack of information on various aspects, including local laws and regulations, as well as supply and demand trends for automotive-related products. In response, a delegation was dispatched in January of this year. The delegation was led by Mr. Shirayanagi, Chair of the International Committee (President of TOYOTA

BOSHOKU CORPORATION), with Mr. Kurosawa, Chair of the Trade Subcommittee, serving as deputy leader. The delegation was composed primarily of companies that have not yet entered the Indian market but expressed strong interest in doing so. The delegation conducted on-site visits to gather firsthand insights.

First, the delegation visited factories of Japanese OEM and JAPIA member companies that have already expanded into India, where they learned in detail about their manufacturing and production operations in India, and also heard first-hand accounts of differences in customs and hardships they face. In addition, the delegation held meetings with the Automotive Component Manufacturers Association of India (ACMA) and Japanese government agencies based in India. These engagements reaffirmed the appeal of the Indian market, while also offering a deeper understanding of the complexities of doing business in the country, including labor-related issues and unpredictable regulatory environments.

In addition, high-level exchanges were held with the chairman and senior management of ACMA, enabling in-depth discussions on a wide range of topics, including the state of India's automotive parts industry, ACMA's role within it, and the current progress of electrification. Furthermore, business matching sessions were successfully conducted between ACMA member companies and JAPIA member companies participating in the delegation. Participating companies provided highly positive feedback, describing the initiative as "extremely beneficial." Several members also reported ongoing engagement with Indian companies and the emergence of concrete business opportunities, making this a highly meaningful activity with promising prospects for future collaboration.

The G7 (Global Automotive Suppliers Associations Summit), a meeting of auto parts industries association from seven countries, was established in 2017. Due to the COVID-19 pandemic, in-person meetings had been suspended for approximately five years. However, in light of recent developments in U.S. tariff policy, a renewed call for dialogue led to the successful convening of the meeting in Washington, D.C., this past March. India's participation unfortunately has been cancelled, however representatives from Japan, the United States (MEMA), Canada (APMA), Mexico (INA), Brazil (SINDIPECAS), and Europe (CLEPA) gathered to share their perspectives on common challenges and reaffirm their commitment to strengthening collaboration among all member organizations. A highlight of the meeting was a detailed briefing by a MEMA executive engaged in government affairs in Washington, D.C., who provided insights into the latest developments and the current landscape surrounding U.S. tariff policy.

In addition, INA delivered a presentation on the United States-Mexico-Canada Agreement (USMCA), emphasizing how the three countries have become a global hub for automobile production by leveraging their respective strengths, and also addressed

the impact of tariff policies on investment and vehicle pricing.

Three key initiatives proposed as the activity goals for this fiscal year

This fiscal year, the Trade Subcommittee has outlined three key initiatives to build on its past achievements and respond to changing international environment:

1. Accurate collection and dissemination of information on a range of topics, including U.S. tariffs and the USMCA, for the benefit of member companies.
2. Strengthening international collaboration.
3. Identifying and consolidating industry-wide issues by gathering input on challenges faced by individual companies.

In particular, with regard to 1, U.S. tariff trends, the Trade Subcommittee will continue to collaborate with trade associations in other countries and regions, while also seeking the cooperation of member companies to further strengthen information gathering and communication with JAPIA members. For 2, strengthening international collaboration, the Subcommittee has identified India, Brazil, Mexico, and Southeast Asia as key countries and region for engagement. Efforts are underway to explore joint initiatives in cooperation with local trade associations in these countries and region.

Mr. Kurosawa has emphasized a guiding principle for the Subcommittee's activities: "Broadly contributing to the enhancement of JAPIA members' international competitiveness." JAPIA members vary widely in size and product scope, and while some have relatively easy access to overseas information, others face significant challenges. To address this disparity, the Trade Subcommittee will continue to work to provide accurate, speedy and easy-to-understand information by further strengthening ties with related associations overseas and analyzing the information it collects.